

**A REVIEW OF LOCAL EXCHANGE AND TRADING SCHEMES (LETS)  
AND TIME BANKS IN SCOTLAND**

**A Report to the  
Social Inclusion Division  
The Scottish Executive**

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**Report prepared by:**

**Professor Ronald McQuaid, Sue Bond and Beverley Christy,  
Employment Research Institute,  
Napier University  
Edinburgh  
EH14 1DG**

[eri@napier.ac.uk](mailto:eri@napier.ac.uk)  
<http://www.napier.ac.uk/depts/eri/home.htm>

# **A REVIEW OF LOCAL EXCHANGE AND TRADING SCHEMES (LETS) AND TIME BANKS IN SCOTLAND**

## ***EXECUTIVE SUMMARY***

### **Introduction**

The Employment Research Institute at Napier University, Edinburgh, carried out a review of Local Exchange And Trading Schemes (LETS) in Scotland during February and March 2004. Time banks were also considered. This involved a brief literature review of existing research, informal telephone interviews with a number of organisations who had an interest in LETS and/or Time banks and a survey of LETS and time banks currently operating in Scotland.

The umbrella organisation, LETSLink Scotland, provided a list of 25 LETS in Scotland, of which 22 were interviewed. Of these, five were currently dissolved or dormant. A couple of schemes were in the process of start-up at the time the survey was carried out, while many had been in operation for a number of years (including four that had been trading for 10 or more years). A list of five time banks in Scotland was obtained from Time Banks UK and four were interviewed (one was a recent offshoot from the Gorbals time bank and is included under their responses). The longest running was only three years old while one was currently starting-up.

### **Support Frameworks**

There are currently two main relevant LETS umbrella organisations (LETSLink Scotland and LETSLINK UK) and a UK time banks support body. The report outlines the policy context within Scotland where LETS and/or time banks may have a role and the current policy and practice in relation to these schemes in England.

### **The Extent of LETS and Time banks Activity**

The survey found that the operational LETS had an estimated 1756 members, of which approximately 937 were actively trading in the schemes. Membership includes not only individuals, but couples, families and organisations; therefore the actual total number of individuals is higher than these figures suggest (many schemes were unable to break down membership into individual members). Even so, overall the numbers of members participating in the schemes forms a small part of the Scottish population as a whole. There was at least one LETS or time bank in every region of Scotland except the Borders, although the majority were concentrated in Highlands, Lothian and Strathclyde.

## **Links with Inclusion**

Most of the LETS did not keep records of the demographic make-up of their members, therefore it was not possible to provide an accurate picture of the age, gender or economic activity of members.

Although all the three time banks interviewed claimed to help ‘a lot’ of people in deprived areas (SIPs), the unemployed, the under 25’s and the over 65s, this was considerably less so for LETS (10% involved people from SIPs and 14% involved the unemployed or disabled ‘a lot’). Only three of the LETS operated in relatively deprived areas and although a number included the unemployed and the over 65s among their membership, only a small number claimed to involve these groups ‘a lot’.

Nine LETS had not tried to increase the participation of any disadvantaged groups, usually because of an ‘openness’ ethic or limited resources to do so. Those who had tried to increase the participation of people with mental health problems had faced difficulties due to a lack of social integration of this group. Other problems in getting disadvantaged groups involved included: lack of understanding or trust in the concept of ‘LETS’; perception of being ‘middle-class’; and lacking confidence to trade.

Most of the LETS who were currently trading felt the scheme contributed to or had the potential to contribute ‘a lot’ to developing social capital. The act of trading with other members brought individuals, families, and organisations into contact with other members, thereby promoting links within the scheme.

Most representatives of LETS did not view the activity of the scheme as ‘volunteering’, because of the principle of mutual exchange. However, a small number felt differently, for instance, that it was an essential way for charities to reward volunteers in order to maintain the volunteer pool and a way of rewarding and acknowledging people who did a lot of volunteering.

While many LETS felt their schemes contributed to developing individual skills and confidence, few claimed that they helped people directly into employment.

## **Factors Influencing the Success of LETS**

A review of the factors influencing the success of LETS revealed the importance of having a critical mass of traders in order to provide the range of services required to meet wants and the matching of supply with demand. Having a diverse membership also helped ensure a wider variety of services offered and demand requirements. LETS operated better in areas where there were fewer opportunities for people to trade in the mainstream economy (e.g. in relatively deprived areas or during an economic recession). LETS covering a large geographical area had difficulties with travelling in order to exchange services. The receipt of small grants to cover day-to-day running costs was useful. Dedicated, committed key workers were essential for maintaining the momentum for trading, and these could be in the form of a funded key worker or committed volunteers. However, their withdrawal sometimes meant dissolution or reduction in trading in the scheme. Commitment from members,

understanding of the concept of 'LETS', having the confidence to trade, and the provision of external advice were also helpful.

### *Operational Issues*

There were few actual instances of problems arising with the quality of services provided between traders. In many cases this was considered a matter to be resolved between the individual traders, although a number of schemes operated mechanisms for dealing with issues that arose around quality. A number of LETS monitored quality informally through word-of-mouth. In general, LETS did not have insurance for trading. Most LETS relied on informal mechanisms, such as moral obligations and knowing one another, in order to maintain trust within the scheme, although some operated more formal mechanisms. While few LETS thoroughly vetted their members, this was commonplace among the time bank schemes.

For the majority of LETS, and all the time banks, the current tax and social security regulations were not perceived to have been a hindrance to the operation of the schemes, largely due to the limited level of trade. For time banks, time credits were disregarded for those receiving statutory Benefits.

### **Support to LETS and Time Banks**

Only three LETS were currently in receipt of a significant grant - which covered the cost of a co-ordinator or administrator. Two of the time banks received a significant grant, and the third was going to apply for one. Most LETS and all time banks had received some sort of advice during the start-up or operation of the schemes.

When asked what additional support would be welcomed, a number of LETS emphasised the importance to them of self-reliance and sustainability. Suggestions for additional financial support were mainly of a small-scale kind in order to cover day-to-day running costs.

### **Conclusions and Recommendations**

#### *Should LETS/time banks be supported?*

LETS/ time banks do appear to increase the level of non-pecuniary economic activity compared to the case of not having a LETS/time bank, but it is unclear how large the scale of this is (in most cases it is likely to be very small relative to the local economy). They appear to have little impact upon creating new jobs. There is likely to be only a small chance of LETS/time bank activity crowding out standard local businesses, unless the LETS/time bank became unusually large.

They do appear to be able to operate effectively in some areas suffering multiple deprivation and amongst 'social inclusion target' groups and may support individual and community wide confidence and skills development (although concrete evidence is limited). However, in some cases this may be due to the sources of funding/ resources being available rather than widespread local community pressure.

Most LETS/time banks appear to have a strong independent and local sustainability ethos, and so the level of direct government involvement should arguably be limited.

There is scope to expand the number and coverage of LETS/time banks in all parts of Scotland. Overall they are most likely to be relatively small scale and local, and so the total level of government funding that is justified is likely to be relatively small.

Both LETS and/or time banks have their own advantages/ disadvantages and there is a case to support both. Although they are not mutually exclusive, it is unlikely that a local community could sustain both at a significant level in one community. It is likely that each is suitable in different circumstances (for example: time banks may be more suitable for large urban areas where the concept is 'easier' to sell to people as there; while in more rural areas and small towns LETS may function well).

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# **A REVIEW OF LOCAL EXCHANGE AND TRADING SCHEMES (LETS) AND TIME BANKS IN SCOTLAND**

## **1. INTRODUCTION**

The Social Inclusion Division of the Scottish Executive commissioned the Employment Research Institute at Napier University, Edinburgh to carry out research into Local Exchange and Trading Schemes (LETS) in Scotland during February and March 2004, and to also briefly consider the extent of time banks in Scotland. This report considers:

- The scale of current LETS and time bank activity in Scotland
- The status and scale of the umbrella body for these schemes
- The links between LETS and related Executive policies such as support of informal volunteering and building social capital
- How Executive support for LETS could be focussed specifically on disadvantaged communities
- The scope for building on and replicating the experience of current LETS in working with vulnerable groups
- The type and level of support the Executive might usefully provide for LETS in Scotland
- How Executive support might be delivered and what outputs should be expected from support.

## **Methodology**

A brief literature review of existing research concerning LETS and time banks was carried out.

Informal telephone interviews were carried out with a number of parties who had an interest in LETS and time banks (See Appendix A for details).

Representatives from LETS and time banks registered with LETSLink Scotland and time banks UK were contacted in order to carry out a telephone interview. Of the 25 LETS, interviews were carried out with representatives from 22 schemes. Interviews were achieved with representatives from 3 of the 4 time banks in Scotland (See Appendix B for details).

## **Layout of the Report**

Chapter 2 examines what LETS and time banks are and the differences between them. Chapter 3 reviews the support frameworks for these schemes, including the agencies involved, the policy framework in England and a brief examination of the policy context in Scotland.

Chapter 4 examines the extent of LETS and time banks in Scotland. The format of this chapter and also Chapters 5-7 is to: review previous research on the topic; present the findings from the survey of LETS and time banks in Scotland; and discuss the implications of these findings. Links between LETS/ time banks and social inclusion are examined in Chapter 5. Chapter 6 deals with the factors influencing the success of LETS and time banks, while Chapter 7 examines the support received by LETS (both financial and advice) and views on additional support required.

Chapter 8 presents the recommendations. The chapter addresses whether time banks should be supported, the preferred type of support, how it should be delivered and the resources required.

The appendices include a list of individuals and agencies consulted about the context and policy responses surrounding LETS and time banks (Appendix A); a list of LETS and time banks that took part in the research, including information such as length of time in operation, activity, and funding and a list of those that could not be contacted (Appendix B); and references cited in the report.



## **2. WHAT ARE LETS AND TIME BANKS?**

### **2.1 LETS**

The concept of LETS was apparently first introduced into UK in 1985 by Canadian Michael Linton, who set up the system on Vancouver Island as a local response to recession and unemployment. The first UK LETS was set up in Norwich in 1986 and there was a rapid expansion of schemes in the 1990s so that by 1995 there were 350. However, the number of schemes reduced to 303 projects in 1999 (Seyfang, 2002a).

LETS are a local currency system. “LETS – Local Exchange Trading Systems or Schemes – are local community-based mutual aid networks in which people exchange all kinds of goods and service with one another, without the need for money” (LETSLINK UK website, 2004).

The unit of exchange varies between systems, for instance, Reekies in Edinburgh, and Thistles in Dundee. Usually, one LETS credit is loosely related to £1 sterling. The value of goods and services is negotiated between traders, and credits and debits are registered with a locally managed central account. Members can trade multilaterally by repaying a debt to someone else in the scheme, thus creating a pooled system of credit and debits. This creates a local currency that can only be spent within the group.

LETS intend to build local currencies into sustainable social systems and usually apply five criteria (Caldwell, 2000):

- Non-profit making
- No compulsion to trade
- Information about balances available to all members
- LETS unit is roughly equal in value to nation currency
- No interest is charged or paid.

#### **2.2.1 *Some advantages of LETS***

Seyfang (2002a) states that the objectives of LETS are to; strengthen local economies, rebuild communities, and forge social networks in the context of environmentalist concerns with localisation and increasing self-reliance.

According to Boyd (1994) the rationale for creating LETS concerns poverty alleviation and local control. As poor people have little money they have little wealth (a store of money) or "means of exchange". Their purchases are unlikely to be produced in their community and so the money does not circulate in the community but is extracted quickly from it. Boyd (1994) argues that LETS empower people through “being: a local community-based economic system that supplements the formal monetary economy; a means whereby people on low-income can improve their quality of life by accessing goods and services not otherwise available to them; a technique of local community

development which liberates goods and services within the community that are currently under utilised; a means of fostering self-esteem and feelings of self-worth, and of encouraging positive self-reliant action, amongst people trapped in situations of poverty; a tool for developing community awareness and self-reliance in order to overcome local difficulties; an effective means of recompensing volunteer assistants for their time and efforts; a powerful means of conducting needs assessment and skills surveys/audits based upon the quality of life of participants; and a technique for networking effectively within a local community.” The degree of these benefits, and their effectiveness compared to alternatives, are likely depend upon the characteristics of the LETS and specific local circumstances.

## **2.2 Time banks**

Time banks are similar to setting up a local currency. These originated in the USA where ‘Time Dollars’ were developed in the 1980s by Edgar Cahn. In 2002, there were 36 time banks in the UK, which had an average of 61 participants each, on average giving or receiving 29 hours (Seyfang, 2002b). Time banks participants are rewarded using a time-based currency for exchanges where one hour equals one hour of any person’s time, no matter what the service is being provided.

Time banks are predominantly seen as a tool for developing social capital (Hallgarten and Reed, 2002; Cahn 2001; Seyfang 2002a). Informal systems of time banks have long existed in Scotland (e.g. babysitting circles among parents), and these can be seen as examples of ‘closed’ systems as they are closed to all except those within a specific group. This paper is only concerned with time banks that are ‘open’ to anyone in the community.

## **2.3 Differences between LETS and Time Banks**

Although similar in many ways, the main differences between LETS and time banks are:

- That time banks treat each hour of work as the same, while LETS can more easily vary the value of an hour’s labour (e.g. paying a difficult job more than a simpler one). LETS and time banks can roughly be seen as different sides of a spectrum from where every hour of work is paid the same (1 time bank unit) to a more flexible system of variable units of LETS per hour.
- It may also be easier for LETS to be used to purchase goods or other services, although in principle time banks could also do this.
- There are different implications of each system, e.g. equity of labour; ability to reflect varying degrees of difficulty or value of work; attractiveness for those providing high value work; applicability to volunteering (time banks may be easier to use to promote volunteering) etc; treatment by tax and benefits authorities.
- There are differences in the ways they have been supported and have developed.

### **3. SUPPORT FRAMEWORKS**

#### **3.1 Agencies**

##### **3.1.1 *LETSLink Scotland***

LETSLink Scotland was set up in 1996 and obtained three years funding from 1999 from the Community Fund. This funding ceased in September 2002. This funding covered the costs of two development workers. LETSLink Scotland currently oversees the North Ayrshire LETS project (which has a funded development worker).

LETSLink Scotland was recently awarded charitable status (it is a company limited by guarantee) and functions as a networking organisation which provides support and training to LETS member organisations. They currently receive no core funding and generate income from membership fees and selling the LETS development kits. Directors of LETSLink Scotland who run the organisation are volunteers and as such are not paid in any currency (either sterling or LETS).

Without core money, the activities of LETSLink Scotland are limited. One problem is finding volunteers willing to give time freely to run the organisation. The future of LETSLink Scotland is currently being discussed. While a representative claimed the organisation did not need a substantial amount of funding, a small amount to cover running costs and for organising events would be advantageous. A part-time paid administrator would ensure national events could take place and advice and training could be offered to individual LETS members.

The aims of LETS include: (from LETSLink Scotland website, 2004):

- LETSlink Scotland promotes co-operation in our communities helping to support mental health initiatives, job creation and crime prevention.
- LETS encourage local economies to produce quality products for local people, reducing waste, import costs and environmental damage.
- LETS help those most in need: those without a bank account, lone parents, long-term unemployed, retired people and disabled people.
- LETS lead to a thriving, diverse local economy, which is less dependent on external funding.

##### **3.1.2 *LETSLINK UK***

LETSLink Scotland has links with LETSLINK UK. LETSLINK UK is a membership organisation for LETS in England. LETS in Scotland join LETSLink Scotland. LETSLINK UK has received funding in the past, but this ceased in 1999 and it is not currently in receipt of any grants and is run by volunteers.

### **3.1.3 Time Banks UK**

Time Banks UK has two key roles:

- (1) A membership organisation – providing training, advice, advice on funding, newsletters etc. to member time banks
- (2) Education – promotion and lobbying for co-production (time banks website, 2004).

The time banks in Scotland are currently members of Time Banks UK, although there is a time banks representative based within the Gorbals Initiative who carries out training for time banks in Scotland.

Time Banks UK is a charitable company limited by guarantee and is funded until the end of 2004 through the Active Communities Unit, The Home Office (£50,000) and the Community Fund (Lottery) (£95,000). This covers running costs, a small staff based in Gloucester and outreach workers.

The aims of Time Banks UK (Time Banks UK website, 2004) are as a “network organisation that supports the growth and development of time banking around the UK. It promotes and practices the core values of time banking:

1. All people are assets;
2. Building community is work that needs to be valued and rewarded;
3. Giving and receiving are equally important - everyone has something to offer, and everyone needs a helping hand sometimes;
4. Strengthening social networks creates healthy neighbourhoods and cultivates community spirit.”

Building social capital, social inclusion and improving public services and involving people in public services is at the heart of the time banks model. Time banks also offer a different approach to volunteering.

### **3.1.4 New Economics Foundation & Fair Shares**

Time Banks UK was set up through a partnership of Fair Shares and the New Economics Foundation. Fair Shares set up “the first UK pilot community time banks using time money as a new technology for rewarding participation and rebuilding communities” (Fair Shares website, 1994).

The New Economics Foundation (NEF) is “an independent think and do tank that inspires and demonstrates real economic well-being ...by promoting innovative solutions that challenge mainstream thinking on economic, environment and social issues. NEF

works on specific project areas through practical pilots and tools for change, in-depth research, campaigning, policy discussion” (NEF website, 1994).

### **3.2 Current Policy Framework in England**

The Performance and Innovation Unit (2000) suggested that LETS be promoted, particularly among non-working groups. Participation in LETS that remains on a relatively small scale should not only be permitted but promoted by government departments, especially the ACU as part of its effort to increase community participation. A variant of LETS also involving non-money exchange, but often with a stronger element of volunteering, is ‘time money’ (time banks).

The Active Communities Unit (ACU) at the Home Office in England has an interest in time banks and have partly funded Time Banks UK. The ACU has an interest in time banks in terms of the following policy contexts:

- Attracting volunteers from groups who do not traditionally take part
- Operating successfully in deprived areas
- Contributing to wider agendas, such as service delivery and promoting health outcomes
- Performing a community development role of building relationship that would not otherwise exist and promoting social capital.

They have a particular interest in time banks as opposed to LETS because time banks put equal value on all members, have an advantage of the time disregard for Inland Revenue and Benefits purposes and are good at promoting a culture of volunteering where there is not already one.

The Social Exclusion Unit in England has not funded work on time banks or LETS but they are currently investigating the time banks with socially excluded groups with promising results.

Although time banks may be useful in creating an environment of volunteering type activity, this is not necessarily straightforward and needs to be carefully thought through. There is a potential danger that it could deter some volunteers who do not want to be seen as personally profiting from their ‘volunteering’. Also it is unclear how time banks could be used to ‘reward’ volunteers as the time bank vouchers used to reward them would need to come from the stock in the time bank scheme (so other members could be seen as paying for rewarding the ‘volunteers’). External funding into the time bank scheme could also be seen as changing the time bank ‘ethos’. Such issues would need to be clarified before using time banks to reward ‘volunteers’.

### 3.3 Policy Context in Scotland

The Active Communities agenda in Scotland seeks to promote community action and volunteering. Whether LETS and/or time banks are considered relevant to the agenda of volunteering depends on definitions of 'volunteering'. The situation in England is that time banks are encouraged for the new way they approach volunteering, but LETS are more problematic (*Active Communities – A draft strategy for volunteering and community action, a report by the Scottish Active Communities Working Group, January 2000*; *Active Communities – Supporting Active Communities in Scotland: The Scottish Executive Response, Consultation Response, August 2000*).

Social Inclusion and Social Justice in Scotland covers some of the same issues as the Active Communities in England, since they put more emphasis on a community approach to social inclusion/social justice. This agenda seeks to promote strong communities and has a vision of 'A Scotland in which every person both contributes to, and benefits from the community in which they live', and to increase 'the number of people from all communities taking part in voluntary activities' (*Social Justice...A Scotland where everyone matters, November 1999*; *Social Inclusion Strategy, Scottish Office 1999*).

More recently community regeneration agendas seek to make core public services as effective as possible in deprived areas and to ensure that individuals and communities have the social capital to take advantage of and increase opportunities open to them. As the emphasis in many LETS and all time banks is on social capital building then they potentially have a role in meeting this agenda, although with the focus particularly on deprived areas (*Better Communities in Scotland: Closing the Gap, The Scottish Executive's Community Regeneration Statement, June 2002*).

LETS also have a potential contribution to sustainable development. *Building a Sustainable Scotland: Sustainable Development and the Spending Review, 2002*, states that "Sustainable communities are ones in which every person both contributes to, and benefits from, the community in which they live". LETS may be of interest in addressing this because of the principal of mutual exchange, their role in promoting self-sustaining local communities, and their 'green' agenda.

## **4. EXTENT OF LETS AND TIME BANKS**

### **4.1 Review of Evidence**

A survey of LETS carried out in 1999, found there to be 303 schemes in the UK (Williams et al., 2000). These schemes had an average of 72 members and a mean annual level of trade equivalent to £4,668. Only a small proportion of the UK population belonged to a LETS (1 in 2,700) and schemes covered 15.6% of the UK land area.

A survey of time banks carried out in 2002 indicated there were 36 schemes, with an average of 61 participants each (Seyfang, 2002b). The mean hours exchanged per project was 1771 hours. Half of the projects surveyed were under 6 months old and still becoming established locally.

### **4.2 Findings from the Survey**

Twenty-two LETS and three time banks (Toryglen was part of the Gorbals Initiative and was included with Gorbals Time Bank and was not counted as a separate time bank) were interviewed as part of the current project. Two LETS had been merged (MIDLETS into Midlothian LETS in 1998) and these were classed as one LETS, although both were interviewed separately. In Scotland 25 separate LETS were listed by LETSLink Scotland, and four time banks also identified. Therefore, interviews were achieved with 88% of known LETS and 75% of time banks (see Appendix B for details). Repeated attempts to contact other LETS and time banks were unsuccessful.

Table 1 shows the geographical distribution of LETS and time banks. The majority of LETS (and all the time banks) are located in either Highland, Lothian or Strathclyde regions.

Table 1: Geographical Distribution of LETS and time banks interviewed<sup>1</sup>

Region	No. LETS (still in operation)	Current Total Membership	Current Active Membership	No. Time banks	Total Membership	Active Membership
Borders	0 (0)			0		
Central	1 (0) <sup>2</sup>			0		
Dumfries and Galloway	1 (1)	50	20	0		
Grampian	2 (2)	107	58			
Fife	2 (2)	117	88	0 <sup>3</sup>		
Highland	3 (3)	807	517 <sup>4</sup>	0		
Lothian	5 (5)	376 <sup>5</sup>	134	1	8 <sup>6</sup>	
Strathclyde	6 (3)	219 <sup>7,8</sup>	93	2 <sup>9</sup>	333 individuals, 15 organisations, 3 schools, 3 businesses <sup>10</sup>	239
Tayside	1 (1)	80	27	0		
Islands	1 (0)	0 <sup>11</sup>	0	0		
TOTAL	22 (17)	1756	937	3		

Among the currently operating LETS there were approximately 1756 current members.<sup>12</sup> These include organisational, individual, family and couple memberships (some LETS were unable to break this membership down into individuals), therefore the actual total number of individuals will be higher. New Moray LETS had the highest membership at 520 and Findhorn and Kinross had 252 members. The smallest LETS had only 19 members (North Ayrshire), but was still in the process of starting-up. The total active membership within these LETS was approximately 937 (excluding the organisations in Norton Park and the Easter Ross figures), with the highest number of active members in the New Moray LETS (367). Indeed 55% of all active members were in New Moray or

<sup>1</sup> 2 LETS in Strathclyde, 1 in Highlands and 1 in Dumfries and Galloway could not be contacted during the survey and are excluded (see Appendix B). Findhorn and Kinross and New Moray LETS are included under Highland.

<sup>2</sup> Stirling and Alloa LETS ceased trading in 2002. Membership figures therefore relate only to one LET.

<sup>3</sup> The other time bank (Apple Blossom) is in Fife.

<sup>4</sup> Active membership of Easter Ross LETS is unknown.

<sup>5</sup> Membership of Norton Park LETS is entirely made up of organisations which are included in members, as are MIDLETS and Midlothian LETS members. Active membership was unknown for Norton Park.

<sup>6</sup> This timebank is still in the process of being set up and trading has not yet commenced.

<sup>7</sup> Ayrshire LETS is denoted in households rather than individuals. The total number of members will therefore be higher.

<sup>8</sup> Helensburgh and Kyles of Bute LETS have ceased trading.

<sup>9</sup> Note that Toryglen (Glasgow) is included under Gorbals timebank from which it is a recent offshoot.

<sup>10</sup> Gorbals timebank provided figures on the active membership, not total membership.

<sup>11</sup> Orkney LETS has ceased trading.

<sup>12</sup> Some LETS only provided estimates of membership and activity.



Findhorn and Kinross LETS. Note that the period of activity was defined by the individual LETS.

The trading activities of LETS were multifarious and included, among other things, alternative therapies, gardening, computer skills, transport, babysitting, building, joinery, labouring, crafts, tuition, catering, childcare, and accommodation. In addition to these services, there were opportunities to trade a wide variety of goods.

Time banks tended to trade in lower skilled work and included ironing, shopping, be-friending, joinery, gardening and do-it-yourself.

None of the LETS were registered charities or companies limited by guarantee. One had applied and been turned down, due to the nature of the trading activity (normally, a charitable company limited by guarantee would have a trading subsidiary which may deed its profit to the charitable status main company, but there are significant resource implications of taking such an approach, e.g. the need for annual accounts). Hence, it is unlikely to be worth the time and financial cost of setting up and running a legal company for most LETS/time banks. LETSLink Scotland, however, did have charitable status, perhaps because its role is in training and education rather than in actual trading. LETS existed on an informal voluntary basis. Gorbals time Bank was part of the Gorbals Initiative which was registered as a company limited by guarantee. Time Banks UK now has charitable status. The representative from Community Link Scotland believed that if Scotland could become a region within Time Banks UK, their Scheme would benefit from charitable status and this would assist their financial situation, although this was not checked by the authors.

#### **4.2.1 Sustainability**

Table 2 illustrates the status and length of time trading for the LETS and time banks. Six of the LETS interviewed had either dissolved or were currently dormant; two were in the process of starting-up (North Ayrshire and Norton Park). The longest running LETS had been around for approximately 15 years (East Lothian LETS). Six LETS had been in existence for 10 or more years; eight had been operating for between 5 and 9 years and five had been going between 1 and 4 years. The LETS that had dissolved or ceased trading had been operating for between 3 and 10 years.

The Gorbals time Bank was the longest running time bank. It had been trading for 3 years and had recently expanded to form a time bank in Toryglen. Castlemilk time bank had been operating for 2 ½ years and Community Link time bank had been in the process of setting up for the past 18 months.

*Table 2: Status and Length of time Operating*

	LETS	Time Banks
10 or more years	4	
5-9 years	6	
1-4 years	4	2
Start-up process	2	1
Dissolved or dormant	6	0
Total	22	3

Excluding 3 LETS and 1 time bank not surveyed.

Longer-term sustainability depends on the success of a scheme after the initial start-up and other funding has finished and when staff are no longer funded. There is a danger that funding for staff in the initial stages may get quicker results initially, but may create problems with longer-term sustainability when these staff are withdrawn.

### **4.3 Implications**

- The numbers of members in LETS is limited to a small proportion of the population.
- Approximately 55% of all active members were in two LETS.
- Access to LETS for the general population is geographically limited.
- 27% of LETS surveyed had dissolved or were dormant, although the figure may be higher if those that could not be contacted were dormant.
- The largest and most active LETS appear to be in rural areas with a strong history of social networking (e.g. Findhorn and Kinross, New Moray).

## **5. LINKS WITH SOCIAL INCLUSION**

### **5.1 Review of Evidence**

LETSLINK UK and LETSLink Scotland encourage LETS to adopt policies of equal opportunity for all and of encouraging diverse membership in order to bring together people with a range of interests, circumstances and trading needs (LETSLINK UK website, 2004; LETSLink Scotland website, 2004)

Williams et al (2000) found that the membership of LETS was geared towards the socially excluded. 38% of members were employees of whom 19% were employed full-time and 25% were self-employed with no employees. Although only 5% were registered unemployed claiming benefit, a total of 33% of members were not in employment or self-employed (e.g. including home-makers, retired, permanently sick, students). Only 34% were living in households with a gross income of more than £20K. Membership also consisted predominantly of women (68%) and those aged 30-60 (77%). However, 62% of members hold graduate or above qualifications and 48% support the Green Party. Therefore, LETS attract a particular type of low-income households and non-employed person. (Williams et al., 2000, 2001b). It should be noted that the number of separate studies is limited and so we are unclear about the representativeness of the sample results.

Some specialist development projects have been set up by LETS to increase participation of particular disadvantaged groups. Stirling and Alloa LETS were set up to include participants with mental health problems (LETS Make it Better) including a Community Café.

Local organisations and charities, small businesses and shops can also be involved in the LETS systems as can other community organisations such as credit unions, family centres, adult learning initiatives and local sustainable development projects (LETSLINK Scotland website, 2004).

“The benefits of LETS, therefore, are confined to a specific social group and this leads many who could benefit from LETS to see them as something for people other than them” (Williams and Windebank, 2001).

Barriers to the wider population participation in LETS have been summed up as: “First, LETS currently cover only a minor area of the UK. Second, most people have never heard of them. Third, many potential beneficiaries see LETS as something for people other than them. Fourth, they have little idea what they would contribute and, fifth and finally, the unemployed fear how central government will react to their activity” (Williams et al., 2001, Policy Studies).

### *Improving Social Capital*

Williams et al (2000) found that 75% of respondents said LETS helped them develop a network of people whom they could call upon. 55% thought it helped them develop a wider network of friends and 30% deeper friendships. “LETS thus develop ‘bridges’ (i.e. bringing people together who did not before know each other) more than ‘bonds’ (i.e. bring people who already know each other closer together); they develop the ‘strength of weak ties’” (Williams et al., 2000)

### *Economic Exclusion*

Only 2.5% joined LETS to improve employability, although 5% said it had *directly* helped them gain formal employment. LETS had a greater impact on *indirectly* improving employability: boosting self-confidence (27%); acquiring new skills (15%); and seedbed for development of self-employed business ventures (10.7%) (Williams et al., 2000)

### *Creating Additional Economic Activity*

Only 13.4% of the goods and services acquired on LETS would have been bought from a formal business. They create new economic activity and substitute for ‘informal employment’. 27.4% of goods/services would not have been acquired if the LETS did not exist and 39.1% would have been acquired on a ‘cash-in-hand’ basis. (Williams et al., 2000).

Pearce and Wadhams (1998) found that much of the property repair and maintenance activity of LETS covered small-scale, odd-jobs that were often difficult to get private contractors to do or which were prohibitively expensive.

### *Community*

LETSLINK Scotland promotes LETS as a means of promoting self-reliance within a supportive community. 72.3% of members saw LETS as either a ‘social’ vehicle for rebuilding sense of community or ‘economic’ vehicle for pursuing alternative means of livelihood. (Williams et al., 2000)

### *Time banks*

Participants in time banks are more likely to be unemployed, receiving income support or Job Seekers Allowance than the general population. They are drawn from predominantly low-income households and attract groups who participate least in conventional volunteering, including the disabled/sick, jobless and those from low-income households (Seyfang, 2002a).

Seyfang (2002a) found time banks to be very effective at building *bridging* social capital, through growth of social and friendship networks. Where time banks engaged with community groups, community capacity would be built. In her study, she also found participants found time banking to be a useful way to develop new skills.

## **5.2 Findings**

### **5.2.1 Membership**

Most LETS did not keep records of the demographics of their members, although one LETS was currently in the processes of researching this through a grant from SCARF (New Moray LETS).

Membership was usually based on an individual or couple basis, with representatives unable to give a breakdown between the two. One LETS (Ayrshire) based its membership of families (including children) and another (Norton Park) was a solely organisational based LETS (involving voluntary social welfare organisations).

In addition to Norton Park LETS, nine LETS schemes also involved organisations in the trading system. The range of organisations involved was diverse and included environmental organisations, volunteer organisations, shops and bed and breakfast accommodation, youth and community projects and employment projects. Most schemes had between one and three organisations involved, although New Moray LETS involved over 10 varied organisations.

Representatives from the smaller LETS were sometimes able to give an approximate indication of the individual membership of their scheme through their familiarity with the individual traders. From this information, it appeared that membership varied between LETS.

Twelve LETS were able to give an approximation of the age ranges of members. Of these, 10 said the majority were in the 24 to 64 age category. The over 65's were the majority in one LETS (Bute) and West Lothian claimed to have a split between the over 65's and the 24 to 65 age category.

Few LETS had any members under 24 years, with the exception of Ayrshire LETS whose membership was based on family and included children. North Fife LETS (and Arran LETS when it was operating) also included a small number of children.

Eleven LETS gave very rough estimates of the economic activity status of their individual members. Four LETS mentioned that quite a few members were self-employed; five mentioned that they had at least some unemployed/unwaged, disabled etc. members; seven mentioned that at least some (often the majority) were employed, although in Easter Ross this was mostly part-time. A high proportion in Bute was retired.

## 5.2.2 Social Inclusion

### *Participation of Disadvantaged Groups*

*Table 3a: Extent of involvement of particular groups for LETS and time banks*

	A lot	Some	A little	Not at all	Missing	N
Respondents in SIP/Deprived areas	28% (5)	0% (0)	22% (4)	50% (9)	(7)	25
Unemployed	30% (6)	35% (7)	25% (5)	10% (2)	(5)	25
Disabled	26% (5)	11% (2)	24% (5)	37% (7)	(6)	25
Under 25's	18% (3)	29% (5)	24% (4)	29% (5)	(8)	25
Over 65's	28% (5)	39% (7)	28% (5)	5% (1)	(7)	25
Other: people with mental illness	100% (1)	0	0	0	(24)	25

*Table 3b: Extent of involvement of particular groups for LETS only*

	A lot	Some	A little	Not at all	Missing	N
Respondents in SIP/Deprived areas	13% (2)	0% (0)	27% (4)	60% (9)	(7)	22
Unemployed	18% (3)	41% (7)	29% (5)	12% (2)	(5)	22
Disabled	19% (3)	6% (1)	31% (5)	44% (7)	(6)	22
Under 25's	0% 0	36% (5)	36% (5)	28% (4)	(8)	22
Over 65's	13% (2)	47% (7)	33% (5)	7% (1)	(7)	22
Other: people with mental illness	0% (0)	100% (1)	0% (0)	0% (0)	(20)	22

*Table 3c: Extent of involvement of particular groups for time banks only*

	A lot	Some	A little	Not at all	Missing	N
Respondents in SIP/Deprived areas	100% (3)	0% (0)	0% (0)	0% (0)	(0)	3
Unemployed	100% (3)	0% (0)	0% (0)	0% (0)	(0)	3
Disabled	67% (2)	33% (1)	0% (0)	0% (0)	(0)	3
Under 25's	100% (3)	0% (0)	0% (0)	0% (0)	(0)	3
Over 65's	100% (3)	0% (0)	0% (0)	0% (0)	(0)	3
Other: people with mental illness	0% (0)	0% (0)	0% (0)	0% (0)	(3)	3

All the three time banks interviewed claimed to help people in deprived areas (SIPs), the unemployed, the under 25's and the over 65's 'a lot'. In addition, two claimed to help the disabled 'a lot', and a third, 'some'. The fourth time bank (not interviewed) also state on

their website that their aim is “to assist those who have become socially isolated due to separation from family and neighbourhood networks”.

At least three of the LETS operated in deprived or SIP areas (New Moray, Findhorn and North Ayrshire). The extent to which the others operated in SIP areas was unclear, although judging from the responses to how much these groups are included in the scheme, no others had SIPs as core areas, although some may have overlapped (e.g. three LETS claimed to involve these groups ‘a little’).

Three LETS claimed to involve ‘a lot’ of unemployed among their membership, with a further 12 claiming to involve these groups to ‘some’ extent or ‘a little’. Three claimed to involve the disabled ‘a lot’, and six either ‘some’ or ‘a little’. No LETS claimed to involve the under 25’s ‘a lot’, although ten claimed to involve them to ‘some’ extent or ‘a little’. Two claimed to involve the over 65’s ‘a lot’ and a further 12 claimed to involve them ‘some’ or ‘a little’. Only one LETS claimed to involve people with mental illness ‘a lot’.

#### *Increasing the participation of disadvantaged groups*

Among the LETS, nine said they had not tried to target any specific group. Where a reason for this was given, it was either to do with wanting to be inclusive, therefore not targeting any specific group, or not having the resources or time to do so.

Three LETS had tried to increase the participation of people with mental health problems (another LETS is considering further participation). None of the three who tried to increase participation among this group was successful. One LETS had a social fund to help disabled or ill members overcome temporary health problems which prevented them from trading. One representative stated that inclusion of people with mental health problems had been unsuccessful because of the lack of social integration between members, e.g. members contacting other members to arrange a trade were anxious that they did not know how to cope with members with mental health problems. Greater integration and knowledge would have provided a more suitable basis for trading effectively.

Three LETS were trying to increase the participation of young people or children. One of these was through establishing a café/shop (with the aim of also reaching out to elderly people) (Ellon LETS). Keith LETS was involved with the LOFT youth project and Kincardine were also considering targeting local OAP and youth groups to increase membership. A further LETS tried to increase the participation of OAPs (Bute LETS). They found that people were happy to participate in trading events, but were reluctant to be part of the LETS.

Dundee LETS was specifically trying to increase membership in deprived areas through advertising events in these areas and talking to the local Anti-Poverty Forum. They also wanted to give talks to groups in SIP areas, but lacked the staff resources to do so. The local Anti-Poverty Forum felt that there was plenty of community activity occurring on

an informal basis and felt there was no need to formalise this in the form of LETS. Although other LETS had not specifically targeted this group, some had tried to increase overall membership and were able to provide some insight into the difficulties in getting this group on board. A representative from Easter Ross LETS felt this group were put off because the concept of LETS was new and unusual and they did not yet trust it. Midlets (which became Midlothian LETS) had found people on housing schemes and in areas of high unemployment to lack interest because they perceived it to be “middle class” and “arty farty”. A representative in West Glasgow LETS had found that disadvantaged groups lacked the confidence to trade (i.e. getting in touch with people they did not already know).

### *Social Capital<sup>13</sup>*

Most of the LETS who were currently trading felt the scheme contributed or had the potential to contribute ‘a lot’ to social capital. The act of trading with other members brought individuals, families, and organisations into contact with other members, thereby promoting links within the scheme. In addition, a number of schemes also operated trading or social events in order to bring people together and promote trading. These events helped to put people in touch with each other and facilitated trading, since some people found it easier to trade with people they had already met. The greater the level of trading activity, then the greater potential for building social capital.

### *Volunteering*

Many representatives of LETS did not view the activity of the scheme as ‘volunteering’, principally because LETS activity was based on mutual exchange, and “because people get something back”. Only a couple felt that the schemes contributed ‘a lot’ to volunteering. Norton Park LETS, for example, which was the only LETS made up of organisations (voluntary and social welfare) felt it was an essential way for charities to reward volunteers in order to maintain the pool of volunteers. The Castlemilk time bank representative also felt that the giving of time was akin to volunteering, but that the time bank offered greater flexibility in terms of when volunteers could work. One representative (Findhorn and Kinross LETS) felt it was a good way of rewarding and acknowledging people who did a lot of volunteering. Another representative (Helensburgh LETS) felt that some people did not want to accept charity, but found LETS useful because they could give something in exchange. In the case of Arran the former LETS was useful to get incomers involved in the community sooner than they might have otherwise.

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<sup>13</sup> Social capital is defined in terms of the network of internal and external links in the community. These may include: social or mutual trust; cooperative norms; a sense of a shared future; shared values; reciprocal relationships; and networks that can be used by a community to deal with common problems or issues, as well as those with other communities and groups (Nel and McQuaid, 2002).



### *Other Social Inclusion Issues*

Respondents were asked to what extent their scheme contributed to ‘Developing individual skills/confidence’ and ‘getting individuals into paid employment’. Of the LETS who responded to this question, 10 felt that their scheme helped ‘developing individual skills/confidence’ ‘a lot’, four thought it did so ‘some’ or ‘a little’ and four felt their scheme did not contribute “at all” to this (three of these latter ones had dissolved/dormant). Ten LETS thought their scheme did not contribute ‘at all’ to ‘getting individuals into paid employment’. However, five schemes thought it did ‘some’ or ‘a little’ and a further five thought the scheme contributed indirectly (i.e. through developing individual skills/confidence and enabling them to keep active).

Of the three time banks, two considered their scheme to contribute ‘a lot’ to developing individual skills/confidence.

The representative of New Moray LETS said, “They [unemployed people] can do stuff they didn’t think of, it helps them to realise their skills and builds their confidence. It also helps them to explore different avenues for jobs”.

The schemes could also be helpful to the underemployed and the self-employed. “The scheme can be really helpful for the development of skills and confidence for those who are under- or unemployed. It can lead to other work, for instance, those who are self-employed have got contracts on the back of LETS work” (Findhorn and Kinross LETS).

“For vulnerable groups, LETS can be very useful for developing skills and confidence by their participation, contribution and feelings of being appreciated” (Dundee LETS).

### **5.3    Implications**

- There is a considerable social inclusion dimension to existing LETS.
- Schemes may increase this, although we do not have evidence of their effectiveness.
- LETS do appear to lead to increases in social capital.
- The specific aspects/location, state of the economy, characteristics of the LETS and its members all appear to influence social inclusion.
- The activities of LETS and time banks tend to be small scale and locally focused.
- The benefits of the schemes are relatively intangible, such as building social capital rather than creating direct employment.

- Can time banks be used to reward community volunteers? If the time bank 'currency' is limited to those contributing time, then who 'pay' for the allocation of those 'volunteering' for community benefits (those others who put time into the time bank, but why should they pay?). 'Currency' cannot be created by another organisation, since this will eventually lead to the collapse of the system. Any attempt to use time banks to reward volunteers must fully and explicitly consider the potential drawbacks (such as discouraging some volunteers who do not wish to be seen as benefiting personally or identifying any disadvantage to any members of the time bank).

## **6. FACTORS INFLUENCING THE SUCCESS OF LETS**

### **6.1 Review of Evidence**

Seyfang and Smith's (2002) research on time banks identified a number of enabling factors that facilitated greater success and challenges that they faced. The enabling factors were identified as: adapting the model to suit the local situation; creating a strong local presence; securing adequate funding for staff; being based in a local organisation; developing the social side of the project; recruiting local businesses to offer incentives to time bankers; and recruiting local community groups. The challenges included: getting people to ask for services; increasing the size and range of what's on offer; communicating effectively with participants; improving marketing and promotion; the public perception of time banking; lack of institutional support; lack of sustainable funding; and government regulations on benefit entitlements.

To the authors' knowledge, such a systematic review of facilitators and problems has not been carried out for LETS, although a number of issues have been identified.

A 1995 study by the New Economics Foundation found that LETS do not do well in areas of deprivation. This was attributed to the lack of confidence in people who are already socially excluded, lack of project champions to take LETS forward and lack of trust in areas with high crime levels (cited in Wallace, 2003).

Williams et al. (2000) found that LETS had a limited coverage of the UK and many people had not heard of them. There was also a perception that the schemes contain certain kinds of 'green, middle-class' people, leading others to perceive LETS as not being for them.

More generally Boyd (1994) argues that successful LETS schemes have adopted three important principles:

1. De-linkage of the local unit of account from the national currency.

This removes the effects which inflation can have on account-holders not immediately paying back their debts. It also removes any pressure for convertibility between different LETS currencies thereby avoiding many of the problems that existing financial markets experience with inflation and interest rates.

2. Debt limits on the total amount of debt held by any one account-holder.

Experience has shown that a local system cannot carry a disproportionate debt run up by one participant, and that large debt reduces the incentive to repay, or encourages repayment by introducing other elements: the rental of capital assets, for example, rather than by one's own labour or time.

3. Distinguishing between capital assets and people's labour in the calculation of exchange units.

If the LETS permit the hire of capital assets, this will perpetuate a system whereby some people will buy the services of others, perhaps for menial activities, and not contribute

any of their own time in exchange. An economic hierarchy is established in which those who have assets can exploit the labour of those who don't.

### *Tax, social security and insurance*

The Tax and benefit rules have been identified as a potential barrier to LETS activity. Although time credits in time banks have been declared exempt from calculations of income tax and state benefits for the unemployed and those on low incomes, this is not the case for LETS currencies. LETS can be regarded as earnings, leading to the loss of benefit if the levels of 'disregard' are exceeded and those working in LETS for more than 16 hours per week can put benefits at risk, other than for those who are long-term sick, disabled or lone parents (Pearce and Wadhams, 1998).

There have been moves to have a UK parliamentary early day motion which would allow unemployed people to participate in LETS without endangering their entitlement to benefit. Similar benefit rules have already been changed in the USA, Australia, New Zealand, Ireland and the Netherlands. The UK government Performance and Innovation Unit (2000) recommended that LETS earnings should be disregarded in calculating benefit entitlement for those on Job Seekers Allowance and Invalidity Benefit.

Fitzpatrick (2000) examined the impact of the benefits systems on LETS activity. His research found that none of the LETS members interviewed had declared their membership and all knew examples of others who had left LETS or not joined in the first place, due to worries over benefit implications. Members kept their LETS activity at a modest and inconspicuous level as a result. Members felt the current benefit rules hindered them from realising the full potential of LETS.

Only 10% of LETS trades in property repair and maintenance were adequately covered by accident insurance (Pearce and Wadhams, 1998).

## **6.2 Findings from the Survey**

### **6.2.1 *The Barriers and Facilitators of LETS***

Respondents identified a number of factors that were barriers or facilitators to the operation of their LETS (including 5 LETS that had either dissolved or had not traded in the last 2 years). This analysis was not carried out for the time bank schemes since only three were interviewed. The views set out here try to reflect those provided by interviewees.

#### *Critical Mass of Traders*

It was clear from the analysis that some LETS were more successful than others. However, defining 'success' is not straightforward. Numbers of active members is a good potential indicator. In order to provide a range of activities which members want

to trade, there needs to be a minimum number of active traders. One respondent suggested that a minimum number would be around 70 individuals. However, too many members can also create problems of social integration and co-ordination. For instance, Stirling & Alloa LETS stated this as one reason why they disbanded. New Moray LETS had the largest active membership at over 350, and traded successfully, but this necessitated more work and co-ordination.

#### *Lack of Alternatives in the Formal Economy*

LETS seem to do better in areas (or at times) where the economy is depressed, because there are fewer opportunities for people to trade in the mainstream economy. For instance, New Moray LETS and Findhorn and Kinloss LETS both operated in relatively depressed local economies. The representative of East Lothian LETS stated that the scheme had worked better when the economy was in recession, but the area was currently experiencing an economic boom and so the LETS had suffered. When alternatives for earning in the mainstream economy are present there is less reason to join a LETS. They tend to work better when the requirement for goods and services cannot be easily met through the mainstream economy and where people are time rich but cash poor. However, none of LETS operated in urban deprived areas, and there is question as to whether they are more suited to rural than urban deprived areas.

#### *Match of Supply and Demand*

LETS worked better where there was provision of goods and services that people wanted to consume. Trade was limited where there was a mismatch between what people wanted (for instance, building trades were popular) and what was supplied (e.g. alternative therapies), for which there was limited demand. This mismatch deterred people from becoming involved. However, it is unlikely that those providing trades would wish to join a LETS in times of economic buoyancy, as they could find employment in the mainstream economy.

#### *Diverse Membership*

A diversity of active members in the LETS helped to ensure a wide variety of provision and wants. Diverse membership could include a broad range of ages or economic circumstances and involve families, couples, individuals and different organisations. LETS with diverse membership seemed to be more successful.

#### *Geographical Dispersion*

Some LETS (e.g. Orkney, Midlothian) had experienced difficulties due to the wide geographical area covered, since the distances to travel in order to exchange services were great. LETS worked better in a small geographical context where social integration was easier to achieve. However, other factors could make up for geographical distances, for instance, the representative of Ayrshire LETS indicated that commitment compensated for the geographical distances.

### *Small Grants*

Provision of small grants was useful to provide funds for software, equipment, publicity, printing of the directory and administrative costs had been of benefit to a number of LETS. Eleven LETS had received such a grant, usually ranging from £200 to £2000, and awarded from a wide variety of sources (See Table in Appendix).

### *Key Worker*

Some LETS had received more substantial support in order to fund a key worker in order to co-ordinate and administer the scheme (usually part-time for a year or two). At least five of the LETS had at one time had such support (and other was unsure). These workers were able to create the momentum for the scheme, although the withdrawal of the key worker sometimes led to a reduction in trading or the eventual dissolution or dormancy of the scheme (e.g. Midlothian, Stirling and Alloa).

However, key workers also came in the form of committed volunteers who helped to operate the scheme and on whom the operation of the LETS depended. Some workers were paid in the scheme currency for their activities. The ‘downside’ of dependency on key volunteers was that their withdrawal sometimes meant the dissolution of the scheme or deterioration of trade (e.g. Bute). There is also a major question concerning the sustainability of LETS if there is volunteer ‘burn-out’. Sustainable LETS are likely to have an effective succession policy for key workers and a spread of work amongst different members. In the Arran LETS the lack of administration support was a significant factor in its winding-down.

### *Commitment*

A functioning LETS not only needs the commitment of the key workers, but also of the members of the LETS, from the grass roots up. If the enthusiasm and commitment is lacking in the wider community then the scheme will have difficulties in sustaining trading.

### *Understanding and Confidence*

A number of representatives claimed that one of the barriers was that people sometimes had difficulty in understanding the ‘concept’ of the LETS. Generally, word-of-mouth communication of ideas and recruitment to trading was found to be more successful in promoting the idea of LETS than straightforward advertising.

Some members also lacked confidence in trading and the services they could offer.

### *External Advice*

Many LETS received advice at some stage during the set-up and operation of the scheme, most frequently from LETSLink Scotland. This organisation was valuable in supporting individual LETS because they provided a source of information with specific knowledge about LETS. It is unclear as to the role of local community development support in general (rather than a specific LETS worker) in both the development and sustainability of LETS.

*Table 4: Facilitating Factors and Barriers to LETS*

<b>Facilitating Factors</b>	<b>Barriers</b>
Lack of alternatives	Alternative employment available
Match of supply and demand within LETS	Mismatch of supply and demand within LETS
Diverse membership	Lack of variety of membership
Locally focused	Geographically dispersed
Provision of small grant	No provision of small grants
Committed key office holder/co-ordinator (volunteer or funded post)	Lack of key worker(s) and/or administration support
Community Commitment	Apathy and lack of on-going commitment
Understanding of concept and confidence to trade	Lack of understanding of concept and lack of confidence to trade
External advice	Lack of external advice

### **6.2.2 The Barriers and Facilitators of time banks**

Analysis of information is limited by the size of the sample – interviews were conducted with three out of four time banks. However, views expressed coincide with those of the LETS, which adds emphasis to the findings above.

#### *Understanding*

Two time banks stated that the greatest barrier to their development was the lack of understanding of the concept of time banks. This lack of comprehension or misunderstanding acted as a barrier to people becoming involved. In comparison, the third time bank illustrated the benefit of greater awareness of the concept. Community Link time bank had started off as being restricted to the Broomhouse area of Edinburgh. However, as the organisers spoke to potential stakeholders about the idea, they also wanted to become involved, and so the scope of the time bank has now been widened geographically to include other sections of the city.

### *Funding*

Two time banks stated that funding was a potential barrier to development. The operating time banks had access to funding for paid workers and the time bank in the process of set-up stated that it would need to secure funding to pay a broker for the scheme. Castlemilk time bank noted that it would be beneficial to have ‘core funding’. This would remove the need for repeat applications for funding and the accompanying ‘hand to mouth’ existence. Funding would enable longer term planning and development.

### *External Advice*

Time Bank UK provided an invaluable source of advice to the Scottish time banks. The advice was specific and was easily accessible. The time bank website provided advice and links to other UK and international time banks. This enabled contact to be made between the time banks, which provided additional sources of advice and encouragement to those involved in setting up and running time banks. The website enabled networking between the time banks and facilitated additional sources of support.

## **6.2.3 Operational Factors**

### *Quality of Services provided*

Five LETS claimed that there had been occasional instances of traders being dissatisfied with the quality of the service provided. However, representatives stressed that these instances were infrequent. Five LETS were not aware of any problems with quality arising. Six LETS stated that issues of quality and payment for services should be resolved between the members themselves with the committee serving only as a broker to facilitate links between traders. A number of schemes had mechanisms in place in order to deal with issues of quality:

- problems reported to the LETS committee (2)
- arbiter service (2)
- advice in the directory regarding quality of services (2) and
- a quality control system (1) (the latter was in the form of ‘smiley’ faces on the back of the LETS cheque to indicate quality of service).

For some LETS quality was monitored informally, through word-of-mouth (6) or knowing each other (3). Representatives noted that the localised network of trading provided protection to traders as if a poor quality of service was provided other members would soon hear of this and the provider would find it difficult to trade again.

### *Insurance*

In general, LETS did not have insurance for trading activities, although three LETS stated that they were covered for public events (e.g. trading events). Seven LETS



explicitly mentioned that exchanges, and insurance regarding them, were the responsibility of individual traders with the LETS simply acting as a brokerage. As one LETS interviewee said “It is prohibitively expensive to get all the members covered” (New Moray). Stirling and Alloa LETS (now dissolved) had had public liability insurance when they were trading.

### *Trust*

Trust is a key feature of the operation of LETS. Many LETS (10) relied upon informal mechanisms for trust (moral obligation, knowing each other). A number of schemes operated more formal systems, for instance, four schemes had either a constitution or a membership agreement. A couple specified an upper or lower trading limit, one mentioned an application form, and a couple also had policies on specific related issues (e.g. trading, rules, data protection, ex-offenders). Few LETS thoroughly vetted members. All the time banks had mechanisms for vetting members, e.g. meeting organisers, rules for behaviour, ID card. A number of LETS had discussed procedures for vulnerable groups and in particular, child-care. In practice, however, they had not needed to implement additional measures. This point highlights a potential difficulty for LETS wanting to provide services for the more vulnerable groups in society, e.g. elderly, children and those with disabilities.

### *Tax and Social Security*

For the majority of LETS and all the time banks, the current tax and social security regulations were not perceived to have been a hindrance to the operation of the schemes, although the regulations themselves were felt to be something of a grey area for some. For time banks, time credits were disregarded for those receiving Benefits.

The level of trade in the LETS was generally not high enough to warrant any problems. Members of the scheme did not make a profit, because this went back into the scheme and a number of systems also had an upper (and lower) threshold of around 250 LETS. However, two LETS (Bute and Ellon) did feel that the regulations had put some people off joining the schemes because of fear of losing benefits or the extra paperwork involved.

The regulations were a potential issue for organisations (or those trading their professional skills) because members trading in their main business were liable for tax.

## **6.3 Implications**

- Most of the time banks had received substantial funding whereas only a few LETS had done so.
- The time banks operated in urban areas, often in SIP areas, whereas many of the LETS were based in rural areas. Time banks may be more suited to urban

deprived areas, whereas LETS may be more suited to operating in rural deprived areas. Further research would be needed on this, however.

- Time banks appear to be able to operate effectively in areas suffering multiple deprivation and amongst ‘social inclusion target’ groups. However, in some cases these may be due to the sources of funding and the resources available rather than widespread local community originating initiatives.
- LETS and time banks do appear to increase the level of non-pecuniary economic activity in an area, but it is unclear how large the scale of this is (it is likely to be very small relative to the local economy). There is likely to be only a small chance of LETS/time banks activity crowding out standard local businesses, unless they become unusually large.
- Without such an agency as LETSLink Scotland, the start-up of new LETS and support of on-going ones may be hindered, since other agencies cannot offer specific enough advice.
- Currently, the tax and social security situation is perceived as being a grey area. Formal, universal guidelines from the relevant authorities would be valuable to LETS administrators and members.
- There should be clear direction for LETS regarding trading activities with potentially vulnerable members of society. This should not be dealt with on an *ad hoc* basis. Guidelines would be useful for LETS administrators.
- Although LETS appeared to be successful when operating in deprived rural areas, it was not possible to ascertain if they would be successful in deprived urban areas. Therefore, some of the issues identified by the New Economics Foundation, may still be pertinent in deprived urban areas. (Lack of success in areas of deprivation was attributed to the lack of confidence in people who are already socially excluded, lack of project champions to take LETS forward and lack of trust in areas with high crime levels, see 6.1).

## **7. DIRECT SUPPORT**

### **7.1 Review of Evidence**

Most LETS are set up by individuals rather than organisations, are unfunded, and are run on a voluntary basis by community activists. Because of this, most LETS operate on a shoestring operation with ad hoc, word-of-mouth growth strategies (Seyfang, 2002a). Pearce and Wadhams' (1998) research on LETS found that many schemes would like to build effective partnerships with their local authority, while at the same time maintaining their independence. They were concerned not to become beholden to the local authority by receiving grant aid.

Greater Manchester LETS state in their design manual "LETSystems are founded on the basis of community self-help and personal empowerment. Problems within the community are addressed by the community. Intervention by local and national governments will be necessary rarely, if at all." (Greater Manchester LETS, 2004).

Most time banks are funded and often hosted in mainstream organisations (Seyfang, 2002a).

LETSLink Scotland and LETSLINK UK are the key umbrella organisations for LETS. Time banks UK is the main umbrella organisation for time banks.

### **7.2 Findings from the survey**

#### **7.2.1 *Financial Support***

Appendix B outlines the financial support received by LETS and time banks. Only three LETS were currently in the receipt of a significant grant which covered the cost of a co-ordinator or an administrator (Ellon, North Ayrshire and Norton Park). Ellon had received £22K from the SCVO with matched funding from the EU and Scottish Executive. North Ayrshire had been funded through a combination of funding from the local SIP, the local council and the EU (amount of grant unknown). Norton Park would be funded through the Albion Trust who would allow a member of their organisation to dedicate time to the LETS (amount of actual funding had yet to be settled). Four further LETS had had a dedicated person in the past, but no longer did so (Stirling and Alloa, East Lothian, West Glasgow and a Council Development Worker at Midlothian). Two of these had since ceased trading.

Ten LETS had received a small grant (usually between £200 and £2000), which covered operational administrative costs, e.g. computer, software, postage, publicity. These grants had come from a variety of sources (where known) including local authorities, Co-operative Community Fund, Volunteer Development groups and Scottish Community Foundation.

Seven LETS had not received any funding at any stage during the schemes' lives. Two of these had dissolved or dormant.

Two of the time banks had received substantial funding for a co-ordinator, the third was currently in the process of applying for funds to cover a dedicated scheme worker.

### **7.2.2 Advice**

Five had received advice in the pre-set up or set-up stage from LETSLink Scotland and four had received advice from other sources, including other LETS and local authorities. Thirteen of the LETS had received advice and/training from LETSLink Scotland during the operation of the scheme, and four had received advice from other sources (e.g. other LETS or local authorities).

Three of the LETS felt it would have been useful to have had advice earlier, during the set-up of the scheme.

All the time banks had received advice during the early phases of the scheme. These came from time banks UK as well as time Dollars (in the US) and Fair Shares. The co-ordinator of Gorbals time Bank also worked part-time for time banks UK and had given training to Castlemilk time Bank. Co-ordinators praised the value of the time bank UK website in providing information about time banks and in giving useful links to operating the schemes.

Note that several LETS had been operating for a number of years and, in some cases, the current named representative was not always aware of funding and other support which had been received in the past, particularly in the pre-set-up and set-up phases.

### **7.2.3 Additional Support**

Some schemes were ambivalent about additional financial support. Six LETS representatives mentioned that they valued the self-reliance of the scheme and a couple made comments explicitly about not wanting outside control. Suggestions for additional support tended to be of a small-scale nature - only a couple of LETS explicitly would have liked a paid development worker. Access to small grants would be valued by nine of the representatives. These were small amounts of money to cover running costs for instance, administrative costs, software, publicity, computer, printers, postage. A number of LETS mentioned the difficulties in finding time to apply for grants given they were working on a voluntary basis and the complexities of funding regulations, therefore making funding opportunities more accessible and also the provision of 'core' continuous funding was valued by some.

Other support was also mentioned, for instance from the local authority and LEC, from the community and from LETSLink Scotland. While most LETS had received advice

and support from the organisation, LETSLink Scotland's ability to provide support and advice had diminished since the end of their grant. Running on a wholly voluntary basis meant there were limits to the advice and support they could give. One LETS also would like clarification of the income tax and social security regulations and public bodies to raise the profile of LETS.

### **7.3    Implications**

- A body such as LETSLink Scotland would appear to provide very useful start-up and on-going support to LETS.
- Direct funding is usually perceived by most to be of more limited value, except in small amounts.
- A body such as LETSLink Scotland could perhaps provide both information and support and operate a small grants scheme, although potentially conflicts between the two roles 'honest broker' and 'grant giver' would need to be carefully handled (e.g. by having a separate sub-committee with external membership to approving any grants).
- Over time there may be scope for supporting local LETS workers (part-time in many cases). Again, this could be administered through a body such as LETSLink Scotland. Any such appointments should be fixed term in the first instance, so as to encourage longer-term sustainability.

## **8. CONCLUSIONS AND RECOMMENDATIONS**

### **8.1 Some Guiding Principles**

The Guiding Principles for support should conform to standard Scottish Executive and Scottish Parliament Principles. A useful set of principles is given in a Scottish Parliament document “Action Points of the Scottish Executive Review of Direct Funding to the Voluntary Sector” (Payne and Berry, 2003). These include:

- Funding will be made available to support activities and services carried out by voluntary and volunteering organisations that demonstrably contribute to meeting the Executive's priorities and objectives;
- Committing funds to the voluntary sector will be viewed as an investment decision rather than as part of a grants-based dependency approach;
- The Executive will seek to support and invest in the voluntary and volunteering sectors' national infrastructure organisations and networks, and the relevant umbrella/intermediary bodies where these contribute to the capacity of the sector to work with the Executive in attaining agreed objectives and do not duplicate the roles of existing organisations, networks or bodies;
- Ongoing support will be provided, generally in 3-year tranches, where the work being undertaken continues to contribute to meeting the Executive's priorities and objectives;
- Innovative projects will be supported, local or national, where the Executive has a particular interest in taking forward an experimental approach and, where an innovative approach has proven to be successful, the Executive shall seek to develop it nationally;
- All recipients of funding will be required to demonstrate that they have in place appropriate equal opportunity policies and evaluation procedures where necessary, both in terms of service delivery and operational practices;
- Demand for funding from the Scottish Executive invariably outstrips the supply of the resources available. These principles will therefore be applied on the basis of competition for the resources that are available.

The Principles broadly apply to potential support for LETS. Support for LETS should be effective and efficient in promoting the policies of the Scottish Executive and in widening and deepening the development of LETS in Scotland where it is an appropriate mechanism to support local communities.

Other specific recommendations are omitted on confidentiality grounds.

## APPENDIX A: List of Contacts

<b>Name of Contact</b>	<b>Affiliation/Organisation</b>
Ian Mitchell	Communities Scotland
Neville Mackay	Voluntary Issues Unit, Scottish Executive
Stuart Young	Social Exclusion Unit, Office of Deputy Prime Minister
Charles Wood	Community Development Team, Home Office
Janet Muir	Community Health Exchange
Onya Kennedy	Community Health Exchange
Donald McLean	Time Bank Officer, Volunteer Development Scotland
Robin Tennant	Poverty Alliance
Craig McLaren	Scottish Centre for Regeneration
Stuart Callison	Gorbals Initiative and Director of Time Banks UK
Elsbeth Barker	LETSLink Scotland
Stuart Noble	Independent Consultant, previously part of LETSLink Scotland
Sarah Burns	New Economics Foundation

## **APPENDIX B**

### **List of LETS and Time Banks**



<b>Name of LETS</b>	<b>Total years in operation</b>	<b>Total Membership (active members) Approx.</b>	<b>Value of Funding</b>	<b>Paid Official?</b>
Arran LETS	Unknown	Ceased operation 2002. Had 50 members.	None	No
Ayrshire LETS	6 years	50 households (87%)	£200 approx. Small Grants for Community Work	No
Dundee LETS	5 years	80 (1/3)	£1600 approx. Dundee Council	No
Easter Ross LETS	2 years	35 (unknown)	None	No
East Lothian LETS	15 years	80 (29)	Amount and funder unknown, covered publicity officer for a couple of years and computer	Not currently. There was one a number of years ago.
Ellon LETS	3 years	62 (46)	£22,000 SCVO EU matched funding/Scottish Exec	Yes, Administrator for 1 year, part-time
Edinburgh LETS	12 years	143 (63)	Amount unknown City of Edinburgh Council	No
Findhorn and Kinross LETS	12 years	252 (150)	None	No
Helensburgh LETS	3 years	No longer trading	£981 Scottish Community Foundation	No
Keith LETS	3 years	45 (12)	£320, REAP, software	No
Kincardine	6 years	42 (30)	£2000 Fife Council	No
Kyles of Bute	6 years	Dissolved	None	No
MIDLETS (See below)	11 years Became part of MidLothian LETS in 1998	60 (30)	None	No
Midlothian LETS	6 years	29 (last trade 2 years ago)	£2K, Council, for set up	Council Development Worker
North Ayrshire LETS	6 months (Sept 2003)	19 (19) In set up stage, building up membership	Amount unknown, N. Ayrshire SIP, Council, EU. Post and training funded by SIP (£20,900).	Yes, Co-ordinator for pilot for one year (16 hours per week plus trainer). Run by LETS Link Scotland
New Moray	6 years	520	£1100 Coop Community Fund	No

		(367)	+ other for specific projects	
North Fife LETS	5 years	75 (58)	None	No
Norton Park LETS	Currently setting up	40 organisations	Albion Trust, amount unknown	Yes
Orkney LETS	6 years	No longer trading	£1000, Voluntary Action Orkney	No
Stewartry LETS	10 years	50 (20)	£440, Local council	No
Stirling & Alloa LETS	10 years	Dissolved 2002	None	There was a paid official. Ceased now.
West Glasgow LETS	9 years	150 (30)	Yes, but details unknown	She thinks there may have been a paid official a while back
West Lothian LETS	4 years	24 (12)	None	No
<b>Name of Time Bank</b>	<b>Total years in operation</b>	<b>Total Membership (active members) Approx.</b>	<b>Value of Funding</b>	<b>Paid Official?</b>
Community Link TB	18 months	8 (not yet started trading)	None	No
Gorbals TB	3 years	Total membership unknown (180 active)	£50K, Scottish Enterprise Glasgow, Community Fund, for two half-time workers for 2 years	Yes
Toryglen TB ( <b>see above</b> )	Recent, extension of Gorbals (above)	23 (23) start up	See above	See above
Castlemilk TB	2.5 years	130 individuals (36 in 6 months); 15 organisation; 3 schools; 3 businesses	£30K, Community Fund, Comic Relief, for running costs, two half-time workers for 2 years	Yes
<b>Schemes that were not available for interview</b>				
Dunfriesshire LETS				
Inverness LETS				
South Ayrshire LETS				
Apple Blossom Time Bank (Information from website)	4 months (1/12/03 start)	25 participants and 5 exchanges	No funding. Support from Time Banks UK.	No

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